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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/19/2006

SPONSOR Miera LAST UPDATED 1/25/06 HB 3/aHEC

SHORT TITLE Education Appropriation Act SB \_\_\_\_\_

ANALYST Aguilar

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$2,354,544.6	Recurring	General Fund
	\$850.0	Recurring	Driver's License Fund
	\$9,217.7	Recurring	Other State funds
	\$409,600.9	Recurring	Federal Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

### SUMMARY

#### Synopsis of HEC Amendment

The House Education amendment to House Bill 3 increases the general fund appropriation by \$41.7 million primarily by mandating a 6 percent salary increase for teachers, a 9.5 percent salary increase for educational assistants and an average 6 percent salary increase for all other educational employees including transportation employees. Additional increases are attributed to an increase of \$3.5 million in categorical costs for school bus replacements.

The HEC amendment includes \$41.4 million in nonrecurring special appropriations and includes changes in recommended language on pages 1 through 6. Further the amendment includes appropriation recommendations to the Computer Enhancement Fund for the data warehouse, the Legislative Council Service for costs associated with the Funding Formula Study Taskforce, and the Higher Education Department for funds to be distributed to three universities.

Synopsis of Original Bill

House Bill 3 reflects the Legislative Finance Committee (LFC) recommendation and appropriates \$2.121 billion from the general fund, \$850 thousand from the driver's license fund, and recognizes \$368.3 thousand in federal flow through for the purpose of funding the 89 public school districts throughout the state including charter schools. Additionally, \$151.2 million is provided in categorical support for a total general fund recommendation for public school support of \$2.273 billion. The appropriation to the Public Education Department is \$11.3 million from the general fund, \$735.3 thousand in other state funds and \$19.2 million in federal funds. An additional \$33.5 million from the general funds is appropriated for related, recurring appropriations (see attached summary). House Bill 3 further appropriates \$8.5 million in other state funds and \$22 million in federal funds to the nine regional cooperatives.

Significant Issues

The state equalization guarantee, also known as the "funding formula" is used to distribute funds to public schools. House Bill 3 funds a general fund increase of \$165.8 million or 7.9 percent over FY06 appropriations. Notable items contributing to this increase include \$16.5 million in enrollment growth, \$3.2 million in fixed costs, \$24.2 million for insurance as well as \$13.5 million for an increased employer contribution to the Educational Retirement Board. With regard to compensation, the bill includes \$81.7 million for an average 4.5 percent salary increase for all school personnel including transportation employees, \$7.5 million for implementation of the \$45,000 minimum salary for level 3 teachers after the salary increase, and \$3.7 million for an additional 5 percent salary increase for educational assistants. \$4.8 million is also included in the bill for fully funding elementary fine arts.

Appropriations in the bill estimate projected credits of \$57.6 million from the 0.5 percent local mill levy, federal forest funds and the operational portion of federal impact aid and \$850 thousand from the drivers' license fund.

Transportation funding is increased by \$4.6 million, part of a total categorical appropriation increase of \$11.7 million.

In related appropriations-recurring, the bill includes \$33.5 million to the public education department. These appropriations include \$13.5 million for providing in advance for the fiscal year 2008 cost of the employer share of contribution increases for public education employees, \$650 thousand for apprenticeship assistance, \$900 thousand for continuing beginning teacher mentorship, \$1.5 million for the Family and Youth resource Act, \$1 million for GRADS, \$2 million for the Indian Education Act, \$900 thousand for kindergarten Plus, \$8 million for the pre-kindergarten program and \$5 million for emergency supplemental distributions.

**FISCAL IMPLICATIONS**

The appropriation of \$2,317,821.1 contained in this bill is a recurring expense to the general fund.

**PERFORMANCE IMPLICATIONS**

House Bill 3 includes 13 performance measures focusing on student performance in

kindergarten, highly qualified teachers in the classroom, graduates who take remedial classes in higher education, and student proficiency on standards based assessments.

**ADMINISTRATIVE IMPLICATIONS**

The bill contains language which directs the secretary to set an initial unit value to be used by the districts in developing school year 2006-2007 operating budgets and to set a final unit value no later than January 31, 2007.

**TECHNICAL ISSUES**

As noted above, HB-3 reflects the LFC recommendation. The bill includes \$5 million in recurring funding for emergency supplemental distributions. The LFC recommendation included this amount as a nonrecurring item. Although the bill contains a separate line of \$13.6 million for accelerating the employer ERB contribution for FY08, the Legislature may wish to consider the following language:

The general fund appropriation to the public education department includes thirteen million five hundred fifty-five thousand dollars (\$13,555,000) to provide a three-quarter percent increase in the employer contribution to the educational retirement fund to be transferred in fiscal year 2007 to the educational retirement board to provide in advance for the fiscal year 2008 cost of the employer share of contribution increases for public education employees.

	FY 06 APPROPRIATION	HB3 APPROPRIATION	HEC AMENDMENTS TO HB3
1 <b>PROGRAM COST</b>	\$1,903,074.6	\$2,027,662.3	\$2,027,662.3
2 ENROLLMENT GROWTH	\$14,700.0	\$16,508.9	\$13,018.0
3 FIXED COSTS	\$2,100.0	\$3,169.6	\$3,169.6
4 INSURANCE COSTS	\$16,300.0	\$24,250.0	\$24,250.0
5 COMPENSATION for Public School Employees:			
6 Teachers	\$6,252.5	\$50,262.9	\$67,017.3
7 Instructional Staff	\$2,381.9	\$8,683.6	\$10,504.5
8 Other Certified and Non-certified	\$5,372.7	\$20,514.6	\$22,353.2
9 Educational Assistants (9.5%)		\$3,749.1	\$7,916.0
10 Minimum Salaries – Three-tiered Licensure Structure			
11 Levels 2 & 3 to \$40,000 in FY 06 <sup>1</sup>	\$51,800.0 *r		
12 Level 3 to \$45,000 in FY 07		\$7,496.9	\$5,566.7
13 Level 3 to \$50,000 in FY07			\$18,289.8
14 Minimum Salaries – Career Ladder for Educational Assistants	\$1,900.0		
15 Increase in Employer's ERB Contribution (.75 percent)	\$11,780.6	\$13,229.5	\$13,229.5
16 Full-Day Kindergarten – Replace TANF Funds	\$4,000.0		
17 Student Assessment CRTs/School District Costs	\$2,000.0		
18 Elementary Fine Arts	\$6,000.0	\$4,800.0	\$4,800.0
19 <b>PROGRAM COST</b>	<b>\$2,027,662.3</b>	<b>\$2,180,327.4</b>	<b>\$2,217,776.9</b>
	<b>Dollar Increase Over FY 06 Appropriation</b>	\$152,665.1	\$190,114.6
	<b>Percentage Increase</b>	7.5%	9.4%
22 LESS PROJECTED CREDITS	(\$58,600.0)	(\$57,600.0)	(\$57,600.0)
23 LESS OTHER STATE FUNDS (from driver's license fees)	(\$1,300.0)	(\$850.0)	(\$850.0)
24 <b>STATE EQUALIZATION GUARANTEE</b>	<b>\$1,967,762.3</b>	<b>\$2,121,877.4</b>	<b>\$2,159,326.9</b>
	<b>Dollar Increase Over FY 06 Appropriation</b>	\$154,115.1	\$191,564.6
	<b>Percentage Increase</b>	7.8%	9.7%
27 <b>CATEGORICAL PUBLIC SCHOOL SUPPORT</b>			
28 TRANSPORTATION			
29 Operational	\$87,678.7	\$91,595.1	\$91,595.1
30 School-owned Bus Replacements	\$176.4	\$180.9	\$3,680.9
31 Rental Fees (Contractor-owned Buses)	\$11,296.5	\$10,616.2	\$10,616.2
32 Compensation	\$501.5	\$1,868.8	\$2,491.7
33 Increase in Employer's ERB Contribution (.75 percent)	\$300.9	\$325.5	\$325.5
34 <b>TOTAL TRANSPORTATION</b>	<b>\$99,954.0</b>	<b>\$104,586.5</b>	<b>\$108,709.4</b>
35 SUPPLEMENTAL DISTRIBUTIONS			
36 Out-of-state Tuition	\$380.0	\$370.0	\$370.0
37 Emergency Supplemental	\$2,000.0	\$2,000.0	\$2,000.0
38 INSTRUCTIONAL MATERIAL FUND	\$30,500.0	\$35,500.0	\$35,500.0
39 EDUCATIONAL TECHNOLOGY FUND	\$5,000.0	\$5,000.0	\$5,000.0
40 INCENTIVES FOR SCHOOL IMPROVEMENT FUND	\$1,600.0	\$1,600.0	\$1,600.0
41 SCHOOLS IN NEED OF IMPROVEMENT FUND	Federal Funds	\$2,100.0	\$2,400.0
42 <b>TOTAL CATEGORICAL</b>	<b>\$139,434.0</b>	<b>\$151,156.5</b>	<b>\$155,579.4</b>
43 <b>TOTAL PUBLIC SCHOOL SUPPORT</b>	<b>\$2,107,196.3</b>	<b>\$2,273,033.9</b>	<b>\$2,314,906.3</b>
	<b>Dollar Increase Over FY 06 Appropriation</b>	\$165,837.6	\$207,710.0
	<b>Percentage Increase</b>	7.9%	9.9%

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46	<b>RELATED APPROPRIATIONS: RECURRING</b>			
47	Public Education Department	\$11,761.7	\$11,282.2	\$11,451.3
48	Accelerated ERB Employer Contribution for FY 08		\$13,555.0	\$13,555.0
49	Apprenticeship Assistance	\$650.0	\$650.0	\$650.0
50	Beginning Teacher Mentorship	\$900.0	\$900.0	\$900.0
51	Core Curriculum Framework	\$381.6		\$382.0
52	Family and Youth Resource Act	\$1,500.0	\$1,500.0	\$1,500.0
53	GRADS – Teen Pregnancy Prevention	\$1,000.0	\$1,000.0	\$1,000.0
54	Indian Education Act of 2003 (includes status study)	\$2,500.0	\$2,000.0	\$2,500.0
55	Kindergarten Plus	\$400.0	\$900.0	\$1,000.0
56	NCA Accreditation			\$700.0
57	Pre-kindergarten Program		\$8,000.0	\$4,500.0
58	Teacher Loan for Service ( <i>moved to HED budget</i> )	\$186.5		
59	Truancy Prevention/Dropout Prevention			\$1,500.0
60	<b>TOTAL RELATED APPROPRIATIONS: RECURRING</b>	<b>\$19,279.8</b>	<b>\$39,787.2</b>	<b>\$39,638.3</b>
61	<b>GRAND TOTAL</b>	<b>\$2,126,476.1</b>	<b>\$2,312,821.1</b>	<b>\$2,354,544.6</b>
62	<b>Dollar Increase Over FY 06 Appropriation</b>		\$186,345.0	\$228,068.5
63	<b>Percentage Increase</b>		8.8%	10.7%

64	<b>RELATED APPROPRIATIONS: NONRECURRING</b>			
65	Advanced Placement Expansion <sup>2</sup>			\$1,300.0
66	Assessment & Test Development/Exit Exams	\$7,000.0 *I		\$6,600.0
67	Breakfast for Elementary Students/Food to Schools	\$475.0		\$2,000.0
68	CHARTER SCHOOLS STIMULUS FUND	\$1,000.0		
69	Curriculum and Film Integration for Middle Schools			\$400.0
70	Domestic Violence Curriculum	\$285.0		See Line 75
71	Early Literacy Initiative			\$1,200.0
72	Elementary Physical Education/Anti-obesity Programs	\$1,425.0		\$2,000.0
73	Emergency Supplemental	\$5,000.0	\$5,000.0	See Line 87
74	Outdoor Classroom – Statewide (to the State Parks Division of EMNRD)			\$250.0
75	Parental Training and Involvement/Domestic Violence Curriculum			\$1,500.0
76	Pre-kindergarten Pilot Program for 4-year-olds (to DFA)	\$4,000.0	See line 57	See Line 57
77	Pre-kindergarten Start-up			\$700.0
78	Prueba de Español	\$100.0		
79	Public School Funding Formula Study (to LCS) <sup>2</sup>	<del>\$200.0</del> *I		\$1,000.0
80	REC Temporary Cash flow Assistance			\$750.0
81	Rural Education/Community Revitalization			\$250.0
82	SCHOOL LIBRARY MATERIAL FUND	\$1,000.0		\$3,000.0
83	School Improvement Framework			\$2,100.0
84	School Owned Bus Replacements			
85	Schools Outreach (to DFA)	\$250.0		
86	Start-up School-based Health Clinics (to DOH)	\$2,000.0		
87	STATE SUPPORT RESERVE FUND			\$10,000.0
88	Statewide Virtual Learning			\$1,000.0
89	Student ID System Maintenance ( <i>moved to PED budget</i> )	\$40.0		
90	Summer Institutes for Mathematics and Science (professional development)			\$1,000.0
91	TEACHER PROFESSIONAL DEVELOPMENT FUND	\$2,400.0		\$3,000.0
92	Three-tiered Transition (Hold Harmless)			\$2,900.0
93	Three-tiered Licensure Evaluation System: Teachers	\$400.0 *I		\$300.0
94	Truancy Prevention/Dropout Prevention			
95	Uniform Public School Chart of Accounts	\$600.0 *I		\$123.0
96	<b>TOTAL RELATED APPROPRIATIONS: NONRECURRING</b>	<b>\$26,175.0</b>	<b>\$5,000.0</b>	<b>\$41,373.0</b>

